

UNIVERSITI SAINS MALAYSIA

2nd. Semester Examination
2002/2003 Academic Session

February / March 2003

EUP 222/3 -

Duration : 3 hours

Instructions to candidates:

1. Ensure that this paper contains **SEVEN (7)** printed pages include appendices.
2. This paper contains **SEVEN (7)** questions. Answer **FIVE (5)** questions only. Marks will be given to the **FIRST FIVE (5)** questions put in order on the answer script and **NOT** the **BEST FIVE (5)**.
3. All questions carry the equal marks.
4. All questions **MUST BE** answered in Bahasa Malaysia.
5. Write answered question numbers on the cover sheet of the answer script.

1. Syarikat Kejuruteraan Neslo headed by Mr. Horleek offered to provide funding to professors in the chemistry department of a major university for research on removing heavy metals (copper, lead, nickel, zinc, chromium) from waste streams. The university then agreed to contract with Syarikat Kejuruteraan Neslo to give the company exclusive use of the technology developed in the field of water treatment and waste water stream treatment. Under the agreement, Syarikat Kejuruteraan Neslo will provide a royalty to the university from profits derived from the use of the technology. Also, a group of the university professors organized URND, a separate company to exploit applications of the technology other than the treatment of water and waste water.

At the same time that the university research was being conducted, Syarikat Kejuruteraan Neslo continued to conduct research in the same area. Performance figures and conclusions were produced. Syarikat Kejuruteraan Neslo freely shared the figures and conclusions with URND organized by the university professors.

At the university, Mr. Coppie a researcher of civil engineering wanted to conduct research and develop a paper relating to the use of the technology to treat sewage. Mr. Coppie contacted the professors in the university's Chemistry Department. The chemistry professors provided Syarikat Kejuruteraan Neslo 's data to Mr. Coppie for use in the research and paper. The professors did not reveal to Mr. Coppie that the data was generated by Mr. Horleek and Syarikat Kejuruteraan Neslo.

After a few months, Mr. Coppie's paper was published in a major journal. Mr. Horleek's data was displayed prominently in the paper and the work of Syarikat Kejuruteraan Neslo constituted a major portion of the journal. The paper credits two of the chemistry professors as major authors along with Mr. Coppie. No credit was given to Mr. Horleek or Syarikat Kejuruteraan Neslo as the source of the data, the funds that supported the research. After publication Mr. Coppie learns about the actual source of the data and its funding.

In a separate case, a client of Syarikat Kejuruteraan Neslo, Mr. The Oo requested the company to perform certain services in connection with a waste-water treatment facility. Mr. Horleek will provide the services prepared the contract document. His client reviews the documents prepared by Mr. Horleek. In the following review, Mr. Teh Oo the client makes the judgment that the documents prepared by Mr. Horleek contain errors and omissions. The client terminates his business relationship with Syarikat Kejuruteraan Neslo, then contacts a different engineering firm and proposes the firm to review the work prepared by Mr. Horleek to identify errors and omissions contained in the documents. The new firm accepts the assignment and sign a contract under the terms proposed by Mr. The Oo.

Read the case given carefully then based on the scenario stated above, answer all the following questions:

- (a) What can you explain regarding the status of the contract between:
- i. Syarikat Kejuruteraan Neslo and the university.
 - ii. Syarikat Kejuruteraan Neslo and Mr. Teh Oo.
- (6 marks)
- (b) If both projects are implemented, to ensure the success of those projects, what are the principles that need to be emphasized in the elements of that particular contract to avoid unexpected events?.
- (7 marks)
- (c) What is or are the types of intellectual property protection related to this scenario and give your explanation regarding this matter.
- (6 marks)
- (d) Is there any element in law of tort exists in this scenario. Can the action of Mr. Coppie be categorized as trespassing because of the use of Syarikat kejuruteraan Neslo's data given by the chemical professors to him for research and working paper?
- (6 marks)

2. Mr. Peppi prepared the balance sheet for his company while the accountant was ill. The balance sheet contains numerous errors. In particular, Mr. Peppi knew that the balance sheet should balance, so he plugged in the owners' equity amount needed to achieve this balance. The owners' equity amount, however, is not correct. All other amounts are accurate.

Syarikat Kejuruteraan Sarsie Peppi Sdn. Bhd.
Balance Sheet
Year Ended 31 December 2003

ASSET

Cash	RM 15 000
Office furniture	RM 10 000
Note payable	RM 16 000
Rent expense	RM 4 000
Office supplies	RM 1 000
Land	RM 44 000
Advertising expense	RM 2 500

TOTAL ASSETS

RM 92 500

LIABILITY

Accounts receivable	RM 12 000
Service revenue	RM 50 000
Property tax expense	RM 800
Accounts payable	RM 9 000

OWNERS' EQUITY

Owners' equity	RM 20 700
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TOTAL LIABILITIES AND OWNERS' EQUITY

RM 92 500

You are required to help Mr. Peppi to:

- (a) Prepare the correct balance sheet based on the correct financial position and the presentation. Compute total assets, liabilities and owners' equity.
(10 marks)
- (b) Identify the accounts listed above that should not be presented on the balance sheet and which financial statement should these accounts appear on?
(4 marks)
- (c) Prepare a cash flow statement based on the related items for Mr. Peppi's company based on the following information:

Payment of income tax	RM 13 000
Collection of dividend revenue	RM 7 000
Payment of interest	RM 16 000
Cash sales	RM 9 000
Payment to suppliers	RM 54 000
Payment of salaries and wages	RM 34 000
Accumulated depreciation	RM 12 000
Decrease in current liabilities	RM 23 000
Increase in current assets other than cash	RM 17 000
Collection of accounts receivable	RM 93 000

(7 marks)

- (d) Make evaluation regarding the cash flow statement of Syarikat Kejuruteraan Sarsie Peppi Sdn. Bhd. and give the reasons for your evaluation.

(4 marks)